Testimony Regarding Senate Bill Number 843

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Declaration of Opposition

Dear Members of the Finance, Revenue, and Bonding Committee,

This testimony is written to address Section 19 of Bill #843 brought by Governor Malloy to the Connecticut legislature. As we understand this provision, it proposes to establish the state as a form of retail aggregator to allow it to "auction" the electric supply requirements of Connecticut's standard offer customers to new electric suppliers. Under the Governor's proposal, these customers would be involuntarily transferred away from presently tariffed rates established by Connecticut's two electric distribution companies.

TransCanada Power Marketing Ltd. is presently a wholesale supplier of standard offer service under contract to one of Connecticut's distribution companies. The term of the contract ends December 31, 2013. This contract and other wholesale supplier standard offer service contracts like them were approved by the Public Utilities Regulatory Authority, the very agency that we understand would be charged with auctioning off customer supply requirements.

Like most suppliers of standard offer service, TransCanada enters into costly obligations for fuel or electric power to effectively "backstop" these standard offer supply contracts, and is required to financially secure its obligations to the electric distribution company. Market price movements during the term of a contract are a certainty. TransCanada and other standard offer service suppliers accept the risk associated with providing this service and protect standard offer customers from increases in market prices.

Transferring the state's standard offer customers to other suppliers will destroy the value of TransCanada's contract, leaving it with costly, potentially out of market supply obligations. Such action may give rise to significant damages to TransCanada, for which we would expect to be compensated.

The Governor's stated view that this bill will "increase energy competitiveness" is short-sighted. No economic efficiency would be achieved. Rather, the Governor's proposed act of contractual interference simply results in the wrongful taking of TransCanada's contractual value for the speculative benefit of the state's own General Fund.

If Connecticut passes a law that impairs the obligation of these contracts, it will surely be challenged. But most importantly, passage will send the clear message that businesses should be wary of doing business in Connecticut, which will decrease competiveness, the very opposite of the Governor's objective.

As a general matter, we find troubling the involuntary transfer of customers to new suppliers, as called for in this bill. TransCanada strongly supports competition in the region's electric market, as well as retail choice for electric customers. TransCanada has invested nearly $4 Billion in generation assets in the Northeast, and is an active wholesale and retail supplier. All of these activities are conducted within a vigorous competitive framework.

Today's standard offer in Connecticut provides an important option to customers, and the Legislature should recognize and respect that many customers who prefer to remain on standard offer are in fact exercising a conscious choice to do so. Standard offer is not necessarily inferior to options offered by competitive suppliers, which seems to be a premise of the Governor's proposal. Standard offer provides customers with power that is priced in a vigorously competitive process, is assured to be secure by individuals with exceptional expertise, and is subject to fair and well-vetted terms and conditions. Best of all, if the customer finds an offer from a competitive supplier that he or she believes is superior, the customer can leave standard offer at the next meter reading. The state forcing customers involuntarily to an electricity supply option that they may not want is clearly not in the best interest of consumers.

Thank you.